

CloudFactory Raises \$2M to Continue Spreading Tech Skills in Nepal, Kenya

WSJ blogs.wsj.com/venturecapital/2015/02/13/cloudfactory-raises-2m-to-continue-spreading-tech-skills-in-nepal-kenya/

By

Feb 13, 2015 9:45 am ET



CloudFactory Chief Executive Mark Sears

CloudFactory

In 2008, a Canadian technologist named Mark Sears went with his wife on a two-week vacation to Nepal. Struck by the number of technically talented young people they met, they stayed on, training Nepalese computer engineers in high-demand skills such as Ruby on Rails.

One project led to another, and Mr. Sears and his wife formed a company, CloudFactory Ltd. The idea was to provide young people in developing countries with the skills they need to tap into the global economy.

On Friday, CloudFactory plans to announce a \$2 million investment from the Rockefeller Foundation to continue that work.

The money, which is structured as debt and is in addition to a \$3 million Series A round that CloudFactory raised last year, is intended to expand one of the company's services in Kenya, where CloudFactory is now also hiring and training workers.

"We believe the company exists to connect a million people and raise them up as leaders to address poverty in their community," said Mr. Sears, who is now CloudFactory's chief executive. "It is a big vision and it's going to take more capital, and it's exciting to continue to do that."

CloudFactory calls itself an alternative to Amazon.com's Mechanical Turk, one that is more suitable for businesses that want to outsource tasks but also need high-quality work. It is a cloud-based platform that uses human intelligence as a supplement to computers, helping the machines carry out tasks that they can't perform well enough on their own.

One CloudFactory customer, for instance, Expensify Inc., lets users take photos of their receipts and submit them for expense reports. The photos are actually sent to CloudFactory, Mr. Sears said, where humans can spot and correct any errors introduced by the numerous Android or iPhone apps that scan receipts but do an incomplete job.

"Most end up with really wrong data in the expense report, so Expensify offers a better user experience through humans...All our solutions are about finding the perfect mixture" of automation and humans, he said.

CloudFactory offers four services: PaperText, which extracts data from documents; SpeakerText, which extracts data from audio and video; ImageData, which extracts data from images and photos; and WebData, which collects and extracts data from the Web.

The Rockefeller investment is for SpeakerText, which CloudFactory is expanding in Kenya because comprehension of English in that country, a former British colony, is high.

SpeakerText splits audio and video recordings into 10-second clips and dispatches them to teams of workers to transcribe. Their understanding of English is good enough that they are able to extract slang out of ESPN videos, Mr. Sears said.

For the Rockefeller Foundation, which is investing in CloudFactory through its Digital Jobs Africa initiative, the money is a way to help African youth develop marketable skills. Their number is expected to more than double by 2025 to 470 million, according to Mamadou Biteye, managing director for Rockefeller Foundation Africa and the leader of Digital Jobs Africa, a seven-year, \$100 million program.

There is a scarcity of opportunities for young people in Africa, he said, and sometimes a high barrier of entry to jobs. "Oftentimes the skills provided by youth don't exactly match the employers' requirement," Mr. Biteye said.

The investment is structured as debt rather than a grant because it puts CloudFactory in “a real market condition” and provides flexibility for the company to innovate, he said.

Training, for instance, is important. Workers can work from home, but they meet once a week as a team to get skills training and leadership training, where they set goals and hold each other accountable for reaching them.

CloudFactory discovered accidentally that teams whose members know each other work better together, Mr. Sears said. The company agreed to allow friends from college to form their own teams and then hired a mother, son and neighbor as a team.

Now workers apply as a team and take the CloudFactory entrance exam through a Facebook app. When eight people have passed, they go through a group interview and take more tests and the team is winnowed to five, with three people sitting on the bench.

“There’s a little competition among the team,” Mr. Sears said. “It’ll be very interesting to see that model evolve.”

CloudFactory has done research on 73 countries as possible places to expand, he said. One reason Nepal and Kenya were chosen is that they have a high number of people who leave the country to work and send money back home.

“We said if all these other countries are willing to pay for talent in Nepal, why not create work and business there,” Mr. Sears said.

Other investors in CloudFactory include David Clouse, founder of the vacation-rental site VRBO.

(Correction: An earlier version of this story incorrectly stated the relationship between the new funding and the prior round.)

Write to Deborah Gage at deborah.gage@wsj.com. Follow her on Twitter at [@deborahgage](https://twitter.com/deborahgage)